

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05  
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03  
LAB-04 SIL-01 AGRE-00 DOE-15 SOE-02 /108 W  
-----090830 070416Z /11

R 070351Z JUN 78  
FM AMEMBASSY TAIPEI  
TO SECSTATE WASHDC 7679  
INFO AMCONSUL HONG KONG  
USLO PEKING

LIMITED OFFICIAL USE SECTION 01 OF 02 TAIPEI 03560

E.O. 11652: N/A  
TAGS: ECON, TW  
SUBJ: KEY ECONOMIC INDICATORS FOR APRIL 1978

REF: TAIPEI 2887

BEGIN UNCLASSIFIED

1. KEY ROC ECONOMIC INDICATORS FOR APRIL: ALL FIGURES IN  
US DOLLAR MILLIONS AND ROUNDED. FIGURES REVISED SINCE  
PREVIOUS REPORT IN PARENTHESES:

| APR | MAR | APR | PERCENT | PERCENT | JAN-APR | JAN-APR | PERCENT |
|-----|-----|-----|---------|---------|---------|---------|---------|
| 78  | 78  | 77  | A/B - 1 | A/C - 1 | 78      | 77      | F/G - 1 |
| (A) | (B) | (C) | (D)     | (E)     | (F)     | (G)     | (H)     |

MONEY SUPPLY:  
4,552 4,449 3,420 2.32 33.08

NET FOREIGN ASSETS OF BANKING SYSTEM:  
4,938 4,830 3,424 2.25 44.23

IMPORTS ON CUSTOMS BASIS:  
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902.4 776.0 709.0 16.29 27.28 3,101.1 2,527.4 22.70

EXPORTS ON CUSTOMS BASIS:  
989.1 850.7 678.2 16.27 45.84 3,364.7 2,543.1 32.31

TRADE BALANCE ON CUSTOMS BASIS:  
86.7 74.7 -30.8 263.6 15.7

IMPORTS ON FOREIGN EXCHANGE SETTLEMENT BASIS:

902.3 896.4 750.2 0.66 20.27 3,172.4 2,582.0 22.87

EXPORTS ON FOREIGN EXCHANGE SETTLEMENT BASIS:

992.5 957.7 802.8 3.63 23.63 3,568.9 2,981.8 19.69

APR MAR APR PERCENT PERCENT JAN-APR JAN-APR PERCENT

78 78 77 A/B - 1 A/C - 1 78 77 F/G - 1

(A) (B) (C) (D) (E) (F) (G) (H)

TRADE BALANCE ON FOREIGN EXCHANGE SETTLEMENT BASIS:

90.2 61.3 52.6 396.5 399.8

IMPORTS FROM U.S. (CUSTOMS):

191.1 172.1 161.8 11.04 18.11 660.1 577.3 14.34

EXPORTS TO U.S. (CUSTOMS):

399.6 356.7 266.9 12.03 49.72 1,362.2 921.0 47.90

TRADE BALANCE WITH U.S. (CUSTOMS):

208.5 184.6 105.1 702.1 343.7

INDUSTRIAL PRODUCTION INDEX (1971=100):

251.5 246.7 214.2 1.95 17.41 238.7 198.9 20.01

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WHOLESALE PRICES INDEX (1976=100):

104.82 103.85 102.75 0.93 2.01 103.94 102.32 1.58

URBAN CONSUMER PRICES INDEX (1976=100):

112.50 110.47 104.18 1.84 7.99 110.72 103.41 7.07

FOREIGN INVESTMENT APPROVALS:

8.49 4.88 7.02 74.11 20.89 47'13 18.78 150.97

U.S. INVESTMENT APPROVALS:

5.97 0.50 1.32 1,093.00 352.58 13.48 1.97 585.90

2. KEY PRODUCTION FIGURES FOR APRIL, 1978

POWER GENERATION (MILLION KWH):

2,616 2,629 2,432 -0.49 7.57 9,912 8,991 10.24

COTTON YARN (1,000 BALES):

158.0 159.7 155.8 -1.06 1.41 600.3 586.0 2.44

MAN-MADE FIGERS (MT):

44,230 42,774 34,390 3.40 28.61 165,175 133,392 23.83

PLASTIC RESINS (MT):

36,479 34,684 20,839 5.18 75.05 134,102 89,836 49.27

BASIC PETROCHEMICAL FEED STOCKS (MT):

71,096 78,783 47,123 -9.76 50.87 281,098 206,331 36.24

CHEMICAL FERTILIZERS (1,000 MT):

102.5 109.4 126.0 -6.31 -18.65 460.2 467.8 -1.62

CEMENT (1,000 MT):

921.2 928.3 872.2 -0.76 5.62 3,590.6 3,314.4 8.33

STEEL BARS AND STRUCTURALS (1,000 MT):

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197.1 222.6 117.7 -11.46 67.46 738.6 461.7 59.97

AUTO TIRES (1,000 PIECES):

118 120 89 -4.17 32.58 445 312 42.63  
1,448.6 1,389.4 1,302.1 4.26 11.25 5,530.2 5,084.1 8.77

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TELEVISION (1,000 SETS):

574.2 577.3 387.6 -0.54 48.14 2,243.3 1,262.0 77.76

### 3. ECONOMIC TRENDS FOR APRIL 1978

(UNCLASSIFIED) FOREIGN TRADE, INDUSTRIAL PRODUCTION, AND INVESTMENT ACTIVITIES CONTINUED TO ADVANCE IN APRIL, FOLLOWING STRONG PERFORMANCES IN THE FIRST QUARTER OF 1978. IMPORTS REACHED A RECORD HIGH MONTHLY LEVEL OF US DOLLARS 902 MILLION, WHILE TOTAL EXPORTS IN APRIL (US DOLLARS 989 MILLION) WERE SECOND ONLY TO THE FIGURE ATTAINED IN DECEMBER, 1977. THE ROC'S TRADE SURPLUS FOR THE FIRST FOUR MONTHS OF 1978 (US DOLLARS 265 MILLION) WAS OVER 15 TIMES THAT OF THE SAME PERIOD LAST YEAR (US DOLLARS 16 MILLION), AND COULD REACH US DOLLARS 2 BILLION BY THE END OF THE YEAR. THE TRADE SURPLUS WITH THE UNITED STATES WAS US DOLLARS 702 MILLION, WHILE THE ROC'S DEFICIT WITH JAPAN WIDENED TO US DOLLARS 633 MILLION IN JANUARY-APRIL, 1978. THE TRADE SURPLUS WITH THE UNITED STATES COULD REACH US DOLLARS 2.5 BILLION THIS YEAR, BASED ON GROWTH RATES AT 30 PERCENT FOR EXPORTS TO THE US AND 25 PERCENT FOR IMPORTS FROM THE US FOR THE PERIOD FROM MAY THROUGH LIMITED OFFICIAL USE

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DECEMBER, 1978, IN COMPARISON WITH MAY-DECEMBER, 1977. INDUSTRIAL PRODUCTION FOR THE FIRST FOUR MONTHS OF 1978 INCREASED BY 20 PERCENT OVER THE CORRESPONDING PERIOD LAST YEAR. PRIVATE COMPANIES PURCHASED 266 HECTARES OF LAND IN INDUSTRIAL ZONES IN THE FIRST FIVE MONTHS THIS YEAR, EXCEEDING THE TOTAL BOUGHT IN ALL OF 1977. FIXED CAPITAL FORMATION IN THE PRIVATE SECTOR GREW AT AN ANNUAL RATE OF 22.8 PERCENT IN THE FIRST QUARTER, IN CONTRAST TO THE 13.6 GROWTH RATE FOR 1977. FOREIGN INVESTMENT APPROVALS FOR JANUARY-APRIL, 1978 WERE MORE THAN DOUBLE THOSE OF THE FIRST FOUR MONTHS LAST YEAR.

INFLATIONARY PRESSURES CONTINUE TO MOUNT, DUE TO RISING COSTS AND THE BUILD-UP OF FOREIGN ASSETS. WAGES IN THE MANUFACTURING SECTOR INCREASED AT AN ANNUAL RATE OF 18 PERCENT IN THE FIRST QUARTER OF 1978. HOLDINGS OF NET FOREIGN ASSETS BY ROC BANKING INSTITUTIONS REACHED U.S. DOLLARS 4.9 BILLION AT THE END OF APRIL (ROUGHLY EQUAL TO SIX MONTHS IMPORTS), 44 PERCENT HIGHER THAN ONE YEAR PREVIOUSLY. THE INCREASE IN THE MONEY SUPPLY IN APRIL AGAIN EXCEEDED 30 PERCENT, ON AN ANNUAL BASIS. ALTHOUGH THE WHOLESALE PRICE INDEX FOR JANUARY-APRIL REGISTERED ONLY 1.6 PERCENT GROWTH OVER THE SAME PERIOD LAST YEAR, THE MONTHLY GROWTH RATE FOR APRIL (0.93 PERCENT) WOULD EXCEED 10 PERCENT ON AN ANNUAL BASIS, WHILE THE RETAIL PRICE INDEX, WHICH ROSE 1.84 PERCENT IN APRIL, WOULD EXCEED 22 PERCENT, ANNUALIZED. THE GROC HAS DECIDED TO HOLD PRICES CHARGED BY STATE ENTERPRISES STEADY FOR THE TIME BEING,

EVEN THOUGH THIS POLICY REPORTEDLY IS CAUSING SOME ENTERPRISES, MOST PROMINENTLY THE CHINA PETROLEUM CORPORATION, TO RUN DEFICITS. IN ADDITION, U.S. DOLLARS 400 MILLION IN FOREIGN EXCHANGE RESERVES HAS BEEN EARMARKED FOR THE PURCHASE ABROAD OF INDUSTRIAL RAW MATERIALS, SUCH AS LIMITED OFFICIAL USE

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METAL ORES. ON RECOMMENDATION OF THE MINISTRY OF ECONOMIC AFFAIR'S INFLUENTIAL PRICE CONTROL COMMITTEE PRICES OF CERTAIN ESSENTIAL GOODS SUCH AS EDIBLE OILS AND SOYBEAN POWDER WERE LOWERED BY ABOUT 4 PERCENT IN LATE APRIL. END UNCLASSIFIED.

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IT DOES NOT SEEM LIKELY THAT THE MEASURES TAKEN TO DATE BY THE GROC WILL SIGNIFICANTLY REDUCE INFLATIONARY PRESSURES' THE GROC CANNOT CONTROL THE PRICES OF IMPORTED GOODS STILL VITAL TO THE ECONOMY, AND HAS NEVER EXERCISED CONTROL OVER DOMESTIC PRIVATE WAGES. SALARIES FOR GOVERNMENT EMPLOYEES (ESTIMATED TOTAL: ONE MILLION, INCLUDING MILITARY PERSONNEL) ARE SCHEDULED TO RISE 18-20 PERCENT ON JULY 1, 1978. FORCING GOVERNMENT ENTERPRISES TO RUN IN THE RED FOR AN EXTENDED PERIOD WOULD GO AGAINST THEIR BASIC ORIENTATION AS PROFIT-SEEKING ENTERPRISES, AND COULD CAUSE PROBLEMS IN THEIR BORROWINGS WITH U.S. BANKS, DUE TO LENDING LIMITS IMPOSED BY THE U.S. COMPTROLLER OF THE CURRENCY. IT APPEARS, THEREFORE, THAT THE ROC WILL EITHER HAVE TO ACCEPT HIGHER THAN USUAL INFLATION RATES, OR IMPOSE WIDE-SPREAD WAGE AND PRICE CONTROLS. BECAUSE OF THE IMPRESSIVE REAL GROWTH RATE ATTAINED THUS FAR THIS YEAR (AROUND 10 PERCENT, ON AN ANNUAL BASIS), THE FORMER COURSE IS MORE LIKELY. THE PROBLEM OF INFLATION IS RECEIVING HIGH-LEVEL CONSIDERATION BY THE NEW GOVERNMENT. ADJUSTMENTS IN THE INTEREST RATE OR IN THE N.T.- U.S. DOLLAR EXCHANGE RATE REMAIN A POSSIBILITY. UNGER

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC DATA  
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